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In search of organisational virtue in business: agents, practices, institutions and environments

Abstract

In this paper we argue that MacIntyre's virtues-practice-institution schema (MacIntyre 1985) provides a conceptual framework within which organisational virtue in general, and virtue in business in particular, can be explored. A heuristic device involving levels of individual agency, mode of institutionalisation and environment is used to discuss why some businesses protect practices, develop virtues and encourage the exercise of moral agency in their decision-making, whilst others struggle or fail to do so.

In relation to conventional shareholder-owned capitalist business, both the mode of institutionalisation and the environment are shown to be largely antithetical to the development of practices. Other businesses may meet the necessary internal conditions for the sustenance of practice-like features but remain dependent upon features within their environments. To illustrate this we use participant observation to show how one particular organisation – Traidcraft plc – meets the relevant conditions.

Introduction

Patrons are reminded that they are required to keep as quiet as possible when artists are performing. If you are disturbed by noise from other patrons we would be grateful if you would inform any one of our staff. Thank you.

(Notice placed on every table inside Ronnie Scott's Jazz Club, Frith Street, London¹)

Why do some businesses actively protect the virtues of the practices they house whilst others do not?

In order to explore the concept and existence (or otherwise) of organisational virtue there is a need for some kind of integrating framework, a heuristic device which encourages fruitful discussion. Without this, discussion is likely to degenerate into a rather general plea for individuals to cultivate the virtues in organisational life.

Our first contention is that MacIntyre's virtues-practice-institution schema provides just such a conceptual framework, but our second is that the dynamics of the inter-relations between the elements of this schema requires more systematic consideration than is evident in the extant literature. This paper attempts this by applying familiar levels concepts from systems theory – the agent, the institution and the environment – to MacIntyre's schema and to a business organisation with which one of us has had a continuing association (Traidcraft plc).

¹ Noted by one of the authors in the summer of 2004.

The paper begins by outlining MacIntyre's conceptual framework of virtues, practices and institutions, attempts to characterise the virtuous business organisation, and describes the levels notions of the agent, institution and environment. It draws some tentative conclusions as to relationships between the features of the levels and the likelihood of institutional protection of virtue-embodying practices and concludes by considering and drawing out implications from the case of Traidcraft plc.

Before commencing, however, there are two points which we should note. The first is that MacIntyre's concerns are with bureaucratic organisations in general "whether in the form of private corporations or of government agencies" (MacIntyre 1985: 25), and his characterisation of bureaucratic managers is similarly generic rather than specific to corporations. Our focus in this paper, however, is specifically with business organisations and as such, while many of the issues that MacIntyre's framework addresses might equally be applicable to bureaucratic organisations in general, we do not directly address this issue. The second point is that MacIntyre's understanding of capitalist organisations draws heavily on what has been termed "managerial capitalism", although elements of "investor capitalism" (Nielsen 2002) or "stock market capitalism" (Handy 2002) are also readily observable in his work. The extent to which these and other forms of capitalism (perhaps generically "stakeholder capitalism" – see Hutton (1995) but also Hampden-Turner & Trompenaars (1993)), are more or less conducive to organisational virtue is a question that we address indirectly here, but to which we are unable to do full justice. We will, however, return to both these points briefly in our conclusions.

MacIntyre's virtues-practice-institution schema

The practice-institution schema

The significance of Alasdair MacIntyre's work in general and its application to contemporary organisations has been addressed in the opening paper of this Special Issue. From this it is clear that MacIntyre's arguments for and developments of virtue ethics, and their application specifically to the area of business, are already well documented and have received critical review (see ***** 2002; ***** 2002, 2005a, 2005b, for example). In order to explore this further here, however, we begin by returning to MacIntyre's oft-quoted definition of a practice:

"Any coherent and complex form of socially established cooperative human activity through which goods internal to that form of activity are realized in the course of trying to achieve those standards of excellence which are appropriate to, and partially definitive of, that form of activity, with the result that human powers to achieve excellence, and human conceptions of the ends and goods involved, are systematically extended." (MacIntyre 1985: 187)

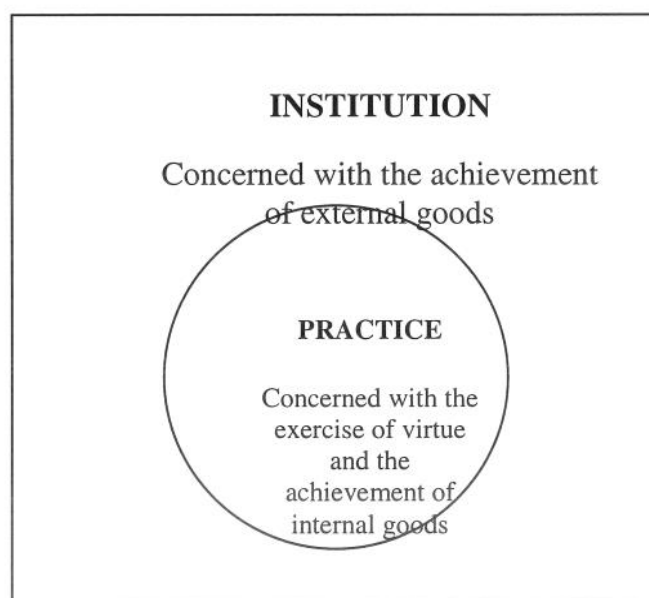
Internal goods derived from practices, both the excellence of products and the perfection of the individual in the process (MacIntyre 1985: 189-190 and see also MacIntyre 1994: 284 and further below), can be contrasted with external goods such as fame, power, profit or, more generally, success. When achieved, MacIntyre argues, these external goods are "always some individual's property and possession. [They are] characteristically objects of competition in which there must be losers as well as winners" (MacIntyre 1985: 190). With internal goods, however, although there is

competition in one sense, this is competition to excel and so benefits all members of the community engaged in the practice (*ibid.*: 190-191).

In order for practices to flourish, however, institutions are required to provide for their sustenance:

“Institutions are characteristically and necessarily concerned with ... external goods. They are involved in acquiring money and other material goods; they are structured in terms of power and status, and they distribute money, power and status as rewards. Nor could they do otherwise if they are to sustain not only themselves, but also the practices of which they are the bearers. For no practices can survive for any length of time unsustained by institutions. Indeed so intimate is the relationship of practices to institutions – and consequently of the goods external to the goods internal to the practices in question – that institutions and practices characteristically form a single causal order in which the ideals and the creativity of the practice are always vulnerable to the acquisitiveness of the institution, in which the cooperative care for common goods of the practice is always vulnerable to the competitiveness of the institution. In this context the essential feature of the virtues is clear. Without them, without justice, courage and truthfulness, practices could not resist the corrupting power of institutions.” (MacIntyre 1985: 194)

MacIntyre’s description of institutions and their relationship with practices can be applied in almost any context. MacIntyre himself indicates that, “the range of practices is wide: arts, sciences, games, politics in the Aristotelian sense, the making and sustaining of family life, all fall under the concept” (MacIntyre 1985: 188). Our argument here is that this can be extended to include organisational life in general and business organisations in particular. But the essential association and tension between practices and institutions, and between internal and external goods, gives the texture of organisational life a central dilemma. We depict this as follows and explore this dilemma further below:



MacIntyre acknowledged that in *After Virtue* he did not pay particular attention to what he termed “productive practices”. He later made good that lack of attention by referring specifically to productive crafts such as “farming and fishing, architecture and construction ...”:

“The aim internal to such productive crafts, when they are in good order, is never only to catch fish, or to produce beef or milk, or to build houses. It is to do so in a manner consonant with the excellences of the craft, so that there is not only a good product, but the craftsman is perfected through and in her or his activity.” (MacIntyre 1994: 284)

But what is it that enables the craftsman to seek and realize such perfection? To answer this question requires commentary on MacIntyre’s notion of virtue and its relationship to practices and institutions.

Virtues and institutional governance

MacIntyre initially defines the virtues as:

“dispositions not only to act in particular ways but also to feel in particular ways. To act virtuously ... is to act from inclination formed by the cultivation of the virtues.” (MacIntyre 1985: 149)

But he later links virtues and practices more specifically:

“A virtue is an acquired human quality the possession and exercise of which tends to enable us to achieve those goods which are internal to practices and the lack of which effectively prevents us from achieving any such goods.” (MacIntyre 1985: 191)

Virtues, therefore, are enduring character traits (as, of course, are vices), not practice-specific, but spanning and necessary to the flourishing of any practice. The virtues, however, receive their full warrant in the context of the notion of a narrative quest towards one’s *telos* – the good as such: “[t]he virtues are precisely those qualities the possession of which will enable an individual to achieve *eudaimonia*² and the lack of which will frustrate his movement toward that *telos*” (MacIntyre 1985: 148).

The virtues enable the individual to achieve the goods internal to practices, and the achievement of those goods *across a variety of practices and over time* is instrumental in the individual’s search for and movement towards their own *telos*. Characteristically, the importance of the virtues for agents is first realised through early participation in and witness of practices. Such experience demonstrates the inherence of such attributes as courage, justice, fortitude and temperance to the successful achievement of goods internal to practices. Contingence, rather than inherence, however, marks their relations to the acquisition of external goods.

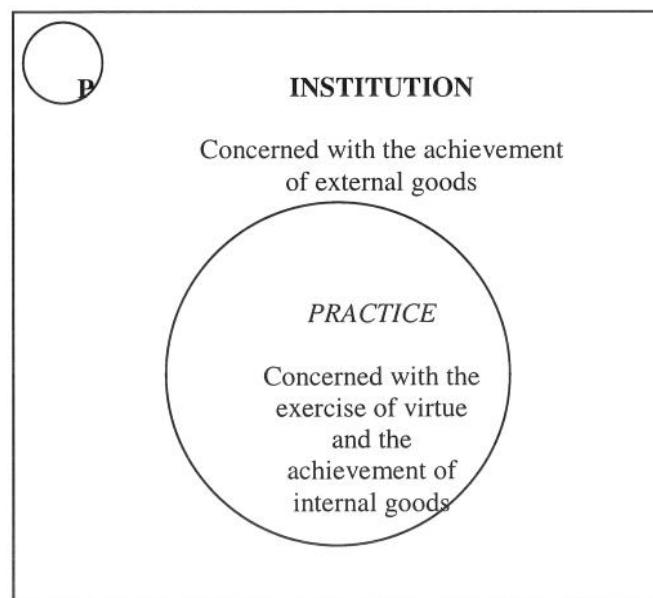
² The *telos*, or purpose or good, of human life is given the name *eudaimonia* by Aristotle. MacIntyre translates this as something like, “blessedness, happiness, prosperity. It is the state of being well and doing well, of a man’s being well-favoured himself and in relation to the divine” (MacIntyre 1985: 148).

To return briefly to the quotation with which we began, when the institutional managers of *Ronnie Scott's* decided to place notices on every table in the club we may reasonably infer that they sought, (perhaps among other things) to protect the musicians' practice (and hence the exercise of their virtues) from some customers' behaviour.

But this leads us on to another important point in MacIntyre's framework:

“the making and sustaining of forms of human community – *and therefore of institutions* – itself has all the characteristics of a practice, and moreover of a practice which stands in a peculiarly close relationship to the exercise of the virtues ...” (MacIntyre 1985: 194, emphasis added).

In other words, managers – those who have, in one sense, outgrown the practice and now represent the institution that houses it – also have the same opportunity to exercise the virtues in the making and sustaining of the institution (enabling them on their own narrative quest towards their own *telos*). This more complex schema may be represented by the diagram below where the smaller circle with the “P” inside represents the practice of making and sustaining the institution.³



MacIntyre, however, in drawing attention to the central dilemma of his schema, notes that, “practices are often distorted by their modes of institutionalisation, when irrelevant considerations relating to money, power and status are allowed to invade the practice” (MacIntyre 1994: 289). Thus, an important part of the whole virtues-practice-institution schema is to focus on the level of the institution in order to assess what features of the institution will better enable it not to distort the practice that it

³ It is quite likely that many institutions will house more than one practice. For simplicity we assume a single practice within any particular institution.

houses. And equally, there is a need to focus on the virtues necessary to sustain what we might call such virtuous institutional forms. Following from this, we can ask what would characterize an institution in good order, one that protects and perhaps extends the excellences of the practice it houses.

The character of the virtuous institution

Evidence from a variety of studies (Akaah and Riordan 1989; Baumhart 1961; Brenner and Molander 1977, for example) highlights the importance of peer and superior influence on the ethical behaviour of managers. It has been argued (Klein 1988 and ***** 2005b) that an appropriate way of conceptualising this is to think not just in terms of particular individuals and their exercise (or not) of the virtues at the institutional level, as MacIntyre does, but also in terms of *institutional* level virtues (and vices), and hence of institutional *character*. Just as MacIntyre talks of the concern for external goods and the acquisitiveness and competitiveness *of the institution*, it seems perfectly possible, by way of analogy or projection (Goodpaster & Matthews 1982: 135), or by way of metaphor (Morgan 1997: 4-8 and *passim*), to speak of the institution as having a virtuous or vicious character, or a character that is somewhere between these two extremes. Using Goodpaster and Matthews, Klein comments that, “formal organizations can function like a moral person ... they potentially have something analogous to character, which can be evaluated as virtuous or vicious” (Klein 1988: 56).

A virtuous institutional character, then, might be defined as the seat of the virtues necessary for an institution to engage in practices with excellence, focusing on those internal goods thereby obtainable, while warding off threats from its own inordinate pursuit of external goods and from the corrupting power of other institutions in its environment with which it engages (see ***** 2005b).

Taking business organisations as a particular form of institution (one housing what MacIntyre, as we have seen, calls “productive crafts”) and drawing from the definition of virtuous institutional character given above, the concept of the virtuous business organisation can be explored. A business organisation with a virtuous character would firstly be aware that it is founded on and has as its most important function the sustenance of the particular business practice that it houses. Second, and following from this, the organisation would encourage the pursuit of excellence in that practice. Third, it would focus on external goods (such as profit and reputation) as both a necessary and worthwhile function of the organisation (they are *goods*, not *bads*), but only to the extent necessary to the sustenance and development of the practice. Finally, the organisation would be such as to be able to resist the corrupting power of institutions in its environment with which it in turn relates, such as competitors, suppliers or those which represent the financial market, where these encourage a single-minded concentration on external goods.

Which particular virtues would characterize virtuous business organisations? Although we might consider a wider list (***** (2005b) includes the cardinal virtues, for example), it is clear that justice, courage and truthfulness (MacIntyre 1985: 194, cited above) are the *sine qua non* of MacIntyre’s schema, together with the virtues of integrity and constancy (MacIntyre 1999: 317-318) which refer to their consistent application across practices and over time.

The virtuous business organisation would require courage in order to resist the corrupting power of institutions with which it relates and to minimize the effects of the environment on its character where these might be damaging. It would require justice in order to distribute external goods appropriately, to weigh its own advantage with that of the wider community, to foster its own excellence through (for example) an allocation of roles that ensures that those who are truly best at particular tasks are appointed to do them, and to generate internal harmony through ensuring that subordinates accept the justice of their place (Klein 1988: 60). Solomon's (1992) emphasis on trust (by which we should infer the virtue of both offering trust to others and being trustworthy oneself) contains within its definition the necessity of truthfulness for the conduct of business.

Such virtues would find their institutional embodiment in a number of features (***** 2005b). These are the requirement of a *just purpose* for the particular practice-institution combination, the development of a *power-balanced structure* that will ensure that the views and desires of particular constituencies are not privileged over those of others, and decision-making *systems and processes* that enable rational critical dialogue having the effect of countering biases and enabling the questioning of the hitherto unquestioned. In particular, these will allow the organisation not to see itself as compartmentalised (MacIntyre 1999: 322) from other institutions in society but as one part of a larger whole. While to some extent outside of its control, the encouragement of a supportive *culture* will also be a feature of the character of a virtuous business organization (see ***** 2005b for more on the distinction and relationship between culture and character).

But, to what extent, and under which kinds of circumstance, would such business organisations be possible, or even flourish?

Preconditions for virtuous business organisations

According to MacIntyre:

“the ability of a practice to retain its integrity will depend on the way in which the virtues can be and are exercised in sustaining the institutional forms which are the social bearers of the practice. The integrity of a practice causally requires the exercise of the virtues by at least some of the individuals who embody it in their activities; and conversely the corruption of institutions is always in part at least an effect of the vices.” (MacIntyre 1985: 195)

MacIntyre illustrates the contrast between virtuous and vicious business organisations, by describing two fishing crews. One is motivated only or overridingly by the pursuit of external goods and hence aims at wages for the crew and profit for the owners. The second pursues internal goods and is devoted to the peculiar excellences required by the practice of fishing (MacIntyre 1994: 285-286). In the first case, both owners and workers would abandon the activity should they find other means of enhancing their income. The second crew, however, would subordinate economic goods to an allegiance to the continuation of the practice of fishing and the way of life that entails. It is, in other words, the *prioritisation* of external goods that corrupts the institution and threatens the practice.

If this is so, the question then becomes what can be done to maintain an appropriate *balance* between the pursuit of internal and external goods in such a way that the institution is able to preserve its practices by ensuring that they are not eroded by the inordinate pursuit of external goods.

This, however, raises a further issue. To return to MacIntyre's fishing crews, because both crews fish it is clear that in the very short-term the conduct of the practice *requires* neither the virtues of the practitioners and owners, nor the flourishing of the institutions which house the practice – technical expertise and equipment is all that is required. However, in the medium- to long-term at least one commentator (Dobson 1997) suggests that without an appropriate regulatory environment the virtuous fishing crew instanced here would not long survive the effects of the other sort – crews that would over-fish and then leave in grim parody of the tragedy of the commons.

This, then, takes us back to our initial question, which returns in modified form: Why do some businesses actively protect the virtues even where this is to the detriment of the pursuit of external goods such as profit? And it turns out that the description of MacIntyre's work given above attests to a familiar triad – those of the agent, the organisation (institution) and the environment. Any adequate characterisation of either virtuous or vicious business organisations will require us to comment on all three of these.

Virtuous agents

The first precondition for a virtuous business organisation, then, is the presence of virtuous agents at the level of both the practice and the institution, for without agents who possess and exercise the virtues the practice itself would no longer be fostered internally through the pursuit of excellence, and at the institutional level the corruption of the institution and the consequent distortion of the practice would seem to be inevitable. This is particularly the case for those agents who hold decision-making authority in the institution. But the presence of such agents at both practice and institutional (managerial) level is clearly insufficient to guarantee the presence of organisational virtue.

A conducive mode of institutionalisation

The second precondition for a virtuous business organisation is the mode of institutionalisation (MacIntyre 1994: 289, cited above) which distributes both decision-making authority and decision criteria within institutions:

“The distribution of power that characterizes a particular institution or organization will determine whether the roles and relationship in question are or are not instruments of domination or oppression.”⁴

⁴ Alasdair MacIntyre – personal correspondence 27 June 2000.

In other words we would expect that different institutional forms will support to different extents the practices which they house, and thereby enable the exercise of the virtues and the attainment of internal goods to a greater or lesser degree.

It is this point in particular which has led to much discussion about the possibility or otherwise of applying MacIntyre's virtues-practice-institution schema to *capitalist* business organisations, and this warrants particular discussion at this point.

MacIntyre's contention is that in the capitalist forms of business organisation that have emerged the institution has, in effect, "won" over the practice – its justification is the pursuit of external goods – such that "much modern industrial productive and service work is organised so as to exclude the features distinctive of a practice", and in such a way that this type of activity is "at once alien and antagonistic to practices" (MacIntyre 1994: 286).

Four related points contribute to this view. First, Public Limited Companies operate under a variety of legal obligations but their purpose has (at least within Anglo-American capitalism) been clear since the judgment in the 1919 Dodge vs. Ford Motor Co. case compelled Henry Ford to issue a dividend rather than cut product prices on the basis that "a business corporation is organized and carried on primarily for the profit of stockholders" (cited in Dodd 1932). Decision criteria built in to such organisations are tied principally to the generation of external goods. Anita Roddick, who founded The Body Shop ostensibly around just purposes, has described her decision to go public as a "pact with the devil" which has necessitated the abandonment of much campaigning activity as well as an emphasis on the bottom line that would once have competed with other objectives as decision criteria (Bakan 2004: 51-53).

We find similar examples of other companies that do not start from "the bottom line", in Waterman's work. Applied Energy Systems (AES) is described in these terms:

"The founders wanted a company that valued people and acted responsibly, that was fair and honest in its approach not only to customers, suppliers, and employees, but to the greater society in which we live. If they happened to make good profits, so much the better. But that wasn't their goal – they cared more about the kind of company they could build than its bottom line."
(Waterman 1994: 111)

AES went public in 1991, but Waterman records that, "[I]t didn't really want to; the fear was that pressures from the outside would weaken the company's focus on values" (Waterman 1994: 135). Levi Strauss, on the other hand, withdrew from the restraints of the financial markets by taking itself private in the mid-1980s through a leveraged buyout (*ibid.*: 143) – presumably to avoid some of the pressures, including pressure on its values, that concerned AES. Borrowing MacIntyre's terms again, (and see also Bartlett and Preston 2003: 37-40), where the capitalist system operates effectively, it represents the victory of the goods of effectiveness over those of excellence.

Second is the very idea of attributing moral agency to corporate legal persons who have no non-instrumental ends. Eschewing arguments as to whether corporations should be so regarded (see Velasquez 2003), we are convinced by the arguments of

Brosten and Benjamin that, “if corporations are by their nature end or goal directed legal persons, how can they acknowledge acts as wrong in and of themselves?” (1987: 279). And without the possibility of such acknowledgment, moral agency can only take a seat at the boardroom by wearing a thick disguise.

If the first two elements result in the subordination of both internal goods and other moral agency in decision-making then the third element of critique centres on the utilitarianism that acts as decision-making method within bureaucratic organisations (MacIntyre 1964; 1977; 1979; 1985; 1999). Here every concern (examples MacIntyre cites include transporting Jews to death camps and building risk of customer death assessment into investment plans) is measured within a Cost Benefit Analysis that disguises value choices in both the ranking of harms and benefits and the impacts of decisions over time as simple facts, subordinates means to ends, reduces the notion of interest to the interest of principals and routinely excludes externalities from the list of consequences to be weighed. In the ordinary conduct of relations in such contexts the distinction between manipulative and non-manipulative behaviour is dissolved.

Fourth is the impact of this on the prospects for moral agency of those who participate in it. Here the exclusion of both questions and persons from participation in decision-making (see also Jackall 1988: 6) becomes a feature, perhaps *the* feature of the moral life of persons whose character is compartmentalised (MacIntyre 1977, 1979 and 1999) and whose moral agency, the conditions for which require a narrative unity, are critically undermined (MacIntyre 1999 *passim*). As a result:

“Capitalism ... provides systematic incentives to develop a type of character that has a propensity to injustice.” (MacIntyre 1995: xiv)

These four points provide a very serious critique of capitalist business organisations in the form with which MacIntyre is familiar. Despite this, however, the counter argument has been made (***** 2005b) that *all* business activities, irrespective of their form of institutionalisation, must contain the vestiges of a practice and the virtues to some degree, for if they did not – that is, if the institution had “won” so completely that the virtues had suffered “something near total effacement” (MacIntyre 1985: 196) – then the institution would have, in effect killed itself from the inside by failing to sustain the practice on which it itself is founded. In other words, while in capitalist forms of business organisation the practice may be potentially and continually under threat from the acquisitiveness and competitiveness of the corporation, it still exists. This counter argument, of course, suggests that MacIntyre is overly pessimistic in his assessment. That particular forms of institutionalisation may be more or less conducive to the sustenance and development of the practices they house, however, would seem to be self-evident and we shall explore this further below.

A conducive environment

However, at this stage we need to move on to consider the third precondition for a virtuous business organisation. It is clear that MacIntyre regards institutions as open systems that are both affected by other institutions in society and able (in both positive and negative ways) of compartmentalising themselves from them. It is apparent therefore that a particularly significant factor in any organisation’s ability to

maintain and exercise the virtues and support the practice it houses is the extent to which the environment is more or less conducive to such activity. Character at the individual level, and by extension at the institutional level, is “vulnerable to environment”, although as Solomon notes, “it is also a bulwark *against* environment” (Solomon 2003: 46). Hence, we would expect that an unconducive environment would be problematic for organisational virtue.

A starting point is to ask whether the environment (regulatory, market, labour and capital) discriminates between organisations in ways related to their exercise of the virtues and protection of practices. Consider, for example, an unusual business institution that arguably exhibits many of the characteristics of a practice-based community, the travelling circus (***** 2003). These include the necessity of apprenticeship (Carmeli 1991), an emphasis on tradition in the discourse of circus artists and in particular in the idea of circus as being everywhere “the same” (Carmeli 1997: 8; 2001: 160; 2003: 82) and the primacy accorded to internal goods in the socially accepted understanding of “goodness” in circus (Stroud 1999; ***** 2003). Like some of the examples of practice-based communities cited by MacIntyre, circus is totalising inasmuch as its members’ working, communal and family lives are conducted in the same community (Stroud 1990 *passim*, Davis 2002: 10, Carmeli 1987: 870)

The British circus faces a hostile regulatory and market environment in which the grounds available for its work have been restricted by local authority and other landowners due to concerns about use of animals (Stroud 1999; Carmeli 1997). This may be seen as the environment responding to continuing questioning of the circus’s just purpose. As an additional example Carmeli (1987) reports that an environment in which audiences no longer distinguish between the quality of either individual circuses or individual acts discourages artists and owners from investing in props, tricks and improvements in customer service.

Unlike *Ronnie Scott’s*, many of whose patrons might leave should their enjoyment of the practice be interrupted by noise from other customers, there are limited utilitarian grounds for circus owners to protect and enhance the internal goods being produced. The labour market has, in response, simply moved, with many recognized artists now working in Europe or the USA where the circus is more popular and greater product differentiation is evident (Stroud 1999).

An ethically responsive environment, which some may claim is evidenced by the impact of the animal rights movement on circus, will encourage institutions to act virtuously. An ethically neutral environment, which some may claim is evidenced by the failure of English audiences to appreciate the distinctive circus virtues of dexterity and fortitude that artists exhibit, will provide no utilitarian reasons for institutions to act virtuously and a vicious environment, as documented by Davis’s (2002) study of the maltreatment of people of colour and those with disabilities in the American circuses in the 19th and early 20th centuries, will encourage the institution to act viciously.

The mechanism involved here is variation in the distribution of external goods through the market. Its effectiveness depends on the economic vulnerability of the institution to such variation and the virtues of those with decision-making authority

within them. Hence, Dobson's forlorn comment that the virtuous firm, if placed in a competitive market environment, "would rapidly perish" (Dobson 1996: 227), is predicated on the idea of an ethically neutral or vicious environment. MacIntyre himself warns: "We should therefore expect that, if in a particular society the pursuit of external goods were to become dominant, the concept of the virtues might suffer first attrition and then perhaps something near total effacement, although simulacra might abound" (MacIntyre 1985: 196).

In other words, such a society in which a vice such as avarice would have been, in effect, legitimised, would provide such an unhealthy environment that even the presence of virtuous agents together with a supportive mode of institutionalisation, might not be sufficient to ensure the existence of organisational virtue. It is MacIntyre's contention that such legitimising of avarice has become ubiquitous in modern capitalist society (MacIntyre 1995: xiii). And while, again, MacIntyre's assessment may be viewed as overly pessimistic, it points to the importance of a conducive environment within which organisational virtue may flourish.

One further point that merits consideration here relates to the work of institutional theorists. DiMaggio and Powell's seminal article questioned the "startling homogeneity of organizational forms and practices" (1983: 148) and defined institutional isomorphism as "a constraining process that forces one unit in a population to resemble other units that face the same set of environmental conditions" (*ibid.*: 149).

However, as Nelson & Gopalan have observed, while organisations are subject to isomorphic pressures, "they also maintain boundaries, which distinguish them from their environment and provide a separate identity" – indeed, "[w]ithout such boundary maintenance, the organization will dissolve" (2003: 1119). They also note the existence (though interestingly in the sociology of religion and social movements rather than in organisation studies) of "reciprocal opposition" where organisational values and institutional forms are developed "whose features form an inverse image of each other ... [t]he oppositional group adopts symbols and social structures that are the reciprocal opposite of those used by the dominant group" (*ibid.*: 1120). This suggests that, while a conducive environment is clearly beneficial to organisational virtue, it may be possible for organisations to resist their environment, or potentially to create around themselves a more conducive environment than most organisations experience. We will return to this point below.

Conclusion

Having now put together the conceptual framework within which the concept of organisational virtue can be explored – a heuristic device involving three levels – the questions that remain are essentially empirical. What kind of inter-relationships exist between the three preconditions; to what extent is the strength of presence of one or another precondition able to off-set deficiencies in other factors; what kinds of modes of institutionalisation are more or less conducive to organisational virtue; how precarious is organisational virtue; and are there particular mechanisms that might be supportive of organisational virtue thus allowing it to become embedded?

Such questions suggest a significant research agenda and in the remainder of this paper we can only hint at some empirical observations that make an initial contribution. We do so by describing a virtuous organisation and exploring the preconditions for this attribution using our three-level heuristic device. The research method associated with this is that of participant observation, one of us having had a long association with the organisation and the Fair Trade movement of which it is a part, and being a member of the Board as a non-executive director.

Assessing the virtuous business organisation: Traidcraft plc

Traidcraft was founded in 1979 by a group of Christians as a trading business seeking to respond to poverty in the developing world through trade. It emerged from a mail order and wholesale operation owned by the development charity TEARfund. Traidcraft rapidly expanded its product range and developed an extensive network of volunteer sales representatives. It later set up an educational and development charity (Traidcraft Exchange) which offers training, consultancy and information services related to Fair Trade. Christian philosophy remains central to Traidcraft's work with a significant majority of Christians in the 5,000 strong national network of volunteers ("Fair Traders") selling products in their churches, schools and homes. A similar number of individual investors, many of whom are Christians, have provided its £5 million capital base. Traidcraft has very little institutional investment, but is nonetheless a public limited company with its shares tradable through an independent stock-broking firm.

Traidcraft plc is committed to working with people of all faiths or none. It sees itself as a community of supporters, shareholders, customers, professionals and producers aiming to reduce poverty by trading with hundreds of small craft producers and farmers in over 30 countries. Its mission, "fighting poverty through trade", encapsulates this. Traidcraft also advocates on behalf of poor producers and campaigns to change unfair conditions of trade and make trade rules work in the interests of the poor. Traidcraft has been a leading organisation in the Fair Trade movement and was a founder member of the International Fair Trade Association (IFAT) and the European Fair Trade Association (EFTA) – see ***** (2004) for a fuller description and analysis of the Fair Trade movement.

Traidcraft plc claims to be the leading Fair Trade organisation in the U.K. with sales in 2004/05 over £15.5 million. In line with Fair Trade sales around the world, Traidcraft plc's product mix by category is 71% food and beverages (including tea, coffee and wine as well as combination food products such as snack bars), 12% crafts and clothing, and 16% paper products. It sells approximately 47% of its turnover by value through Fair Trader volunteers, 13% by mail order, 14% through retail and 26% via wholesale of which 11% (of the total) is via supermarkets although this marginally underestimates this channel due to a recent licensing agreement. In 2004/05 its turnover grew by 12% and it achieved a pre-tax surplus of £530,000 (Traidcraft 2005 and internal papers).

Traidcraft is made up of three linked organisations: in addition to the share-based trading company and the Traidcraft Exchange charity, there is the Traidcraft Foundation, a charitable Trust which holds a Guardian Share in Traidcraft plc with a veto on appointments to the Board and the ability to limit some specific transactions

including the level of shareholder dividend payments. In line with its Christian basis, all non-executive and executive directors are required to be practicing Christians. Although this requirement does not apply to other levels in the organisation, many employees are also Christians and there is an overt emphasis on religious matters within the firm. Most of the 130 or so permanent staff are located in Gateshead, an economically disadvantaged region within the U.K.. Four policy staff are located in London. The organisation achieved Investors in People⁵ status during 2004 at its first attempt, with only very minor areas where developments were recommended – a considerable achievement.

The three arms of the Traidcraft organisation are linked by a Deed of Mutual Covenant based on core foundational principles. These are that:

- Traidcraft is a Christian response to poverty
 - Our mission is fighting poverty through trade
 - We respect all people and the environment
 - We abide by and promote fair business practices
 - We strive to be transparent and accountable
- (<http://www.traidcraft.co.uk>, accessed 4/10/05)

How does this description of Traidcraft relate to the preconditions for organisational virtue? First, in terms of the mode of institutionalisation, it is clear that Traidcraft plc, as the trading arm of the organisation, has established an institutional architecture that quite deliberately limits the focus on external goods. This is not to say that there is no focus on external goods – Traidcraft plc's history in which successive losses almost brought the organisation to its knees has led to a more balanced approach and an appropriate degree of attention to sales and bottom line figures. But, as a mirror image of conventional capitalist business, the bottom line is regarded as a means to an end.

For example, one of the key figures that the organisation reports on and targets is the increased value of purchases from developing countries, and this reinforces the emphasis on the producers that is at the core of the organisation's purpose rather than on shareholder value. The limit placed on dividends and the Guardian Share provision that prevents a "carpet-bagging" takeover, similarly indicate the way in which a limit on external goods has been, quite literally, institutionalised.

In terms of the features of a virtuous organisational character, the existence of a just purpose and a power-balanced structure are in evidence from the above description. Identifying systems and processes that counter biases and enable the questioning of the hitherto unquestioned, and observing the encouragement of a supportive culture are rather harder without some form of ethnographic study, but the recent achievement of Investors in People status suggests that these are also well in hand. Furthermore, based on one of the authors' first-hand experience, the effective functioning of the Board in bringing to bear a range of perspectives from outside the immediate concerns of the organisation suggests that a questioning culture exists.

⁵ Investors in People is "a business improvement tool designed to advance an organisation's performance through its people" (<http://www.iipuk.co.uk>, accessed 4/10/05).

In relation to the corporate virtues it is clear from the above description that justice is carefully nurtured and exercised. If part of this virtue is the prudent allocation of resources then, as noted above, prudence has been exercised over recent years in establishing an appropriate balance between the achievement of internal and external goods. Courage is in evidence in its dealings with mainstream organisations such as the supermarkets where the approach of Fair Trade needs to be defended. Finally, the existence of integrity (exercising the same virtues across different practices) might be observed in the mutually enriching co-existence of a charity and trading company, and constancy (the same virtues exercised over time) is evident in the consistent emphasis on its core mission of fighting poverty through trade.

Traidcraft plc's mode of institutionalisation, therefore, seems to support the achievement of a virtuous organisational character. The next precondition for organisational virtue which we need to consider, that of a conducive environment, follows immediately from this. For while Traidcraft plc operates in many ways within the normal context for most businesses – banking arrangements, legal requirements for aspects such as employment practices, pensions, audit and taxation, buying organisations and consumers which are looking for value for money – it is nonetheless clear that in several important respects it operates within a more conducive environment than many other business organisations. By not participating in the normal financial market for shares, the company avoids the pressure to maximise profits, and instead has supportive shareholders who have invested on the understanding that the financial return is likely to be limited – a first dividend for many years of 2.5p per share (2.5%) was declared in 2004 and repeated in 2005 and shares trade at approximately par value.

In addition to this, although the company deals with mainstream organisations such as supermarkets, where prices may come under pressure and quality standards are exacting, many of its customers such as its own Fair Traders network and “World Shops” to which it sells, are highly supportive of the organisation and its mission. Similarly, a conducive labour market sees many employees working at Traidcraft not because of the financial rewards (which tend to be at the lower end of the scale), but because they also “buy into” the organisation's mission. Equally, the relationship with producer organisations in the developing world is regarded as one of partnership rather than dependency, and while the producers are generally very clear that maximisation of their incomes through fair prices (often above the local price) and increasing and consistent volumes is a key part of the relationship, they too are strongly supportive of Traidcraft plc and its mission. This suggests that Traidcraft plc has been able to establish what we might refer to as a “micro-climate” within its environment in which financial, consumer, labour and supply markets are rather more “friendly” than is commonly the case.

With reference to the concepts of institutional isomorphism and reciprocal opposition discussed above, it may well be that in Traidcraft plc's case, in both its origins and its subsequent development, there has been a quite deliberate fostering of this sense of reciprocal opposition and that this has been instrumental both in the institutional form that has been constructed and in the establishment of a micro-climate that is more conducive of institutional virtue.

What, then, of the presence of virtuous agents within the organisation? Again, without a detailed ethnographic study this is not particularly easy to assess. The strong Christian emphasis, however, means that many of the key individuals in the organisation have a strong faith-based set of values and it is undoubtedly true that many see working at Traidcraft as an opportunity to apply these values consistently, as much in their working lives as elsewhere. In terms of the virtues-practice-institution schema this could be redescribed in terms of the consistent exercise of virtues across different practices in the context of a narrative quest towards their own *telos*. That these kinds of agents exist at both the level of the practice and the institution is clear, and there is both an appropriate degree of focus on the excellence of the practice of being a Fair Trade business, and a healthy level of (usually positive) criticism from those engaged in the practice towards those who represent the institution (the management) to suggest that the integrity of the practice, which “causally requires the exercise of the virtues by at least some of the individuals who embody it in their activities” (MacIntyre 1985: 195, cited above) in order to ward off the threat from the institution’s inordinate pursuit of external goods, is secure.

Conclusions

We have suggested that any attempt to explore the concept of organisational virtue in business requires an integrating framework, a heuristic device within which fruitful discussion may be conducted. Our contention has been that MacIntyre’s virtues-practice-institution schema provides such a conceptual framework and that within this framework the focal point for the exercise of virtue is the practice. Within any practice-institution combination, however, there are, in fact, two practices. The first is the practice at the core of the activity – farming or fishing, architecture or construction, or whatever. The second is the practice of making and sustaining the institution itself. We then identified three preconditions necessary for a virtuous business organisation: the presence of virtuous agents at both the practice and institutional levels; a conducive mode of institutionalisation that, in particular, prioritized internal goods (a focus on the practice) while maintaining sufficient attention to external goods to ensure an appropriate balance of the two; and, thirdly, a conducive environment within which organisational virtue might flourish.

In our discussion of circus organisations we noted how organisations that might well have agents at both practice and institutional level with an appropriate focus on the practice at its core, and might equally well have an appropriate mode of institutionalisation that would foster the practice, could find themselves unable to sustain the virtuous organisation because of the lack of a conducive environment. This suggests that all three preconditions are indeed necessary.

In our discussion of capitalist business organisations we noted that both an unconducive environment (including, in particular, the financial markets), that encourages a single-minded focus on external goods, and a mode of institutionalisation that also tends to be dominated by a focus on external goods rather than the practice and its internal goods, suggests that even the presence of virtuous agents at both the level of the core practice and the institution would be unlikely to enable the achievement of a virtuous business organisation. Capitalist business organisations, as MacIntyre has argued, seem to be largely antithetical to the development of practices. Nonetheless, we held out hope even here by observing that

the institution must contain the vestiges of a practice and the virtues to some degree, a counter argument, of course, that suggests that MacIntyre may be overly pessimistic in his assessment.

The evidence provided in our earlier discussions of Public Limited Companies, which contrasted those which had become public companies with those that had taken themselves private, suggests that it is partially within a corporation's power to create or choose its own environment.

In beginning to answer some of the empirical questions that derive from the conceptual framework and preconditions for organisational virtue, what is particularly evident from our case study of Traidcraft plc is the way in which the three preconditions for organisational virtue can be self-reinforcing. Starting with a mode of institutionalisation that is doubtless conducive to organisational virtue, the organisation has managed, perhaps as a result, to create what we termed a micro-climate which provides a largely conducive environment within which organisational virtue might flourish and in "reciprocal opposition" to other organisations facing a more hostile environment. This reinforces the point that corporations may, to some extent, be able to create or choose their own environment, and that exercising this discretion is a feature that we might expect to find in the virtuous corporation. Perhaps as a result of exercising this discretion with respect to its environment and in the creation of a conducive mode of institutionalisation, Traidcraft plc attracts agents at both the level of the practice and the institution who reinforce organisational virtue – although the causal direction cannot be substantiated here.

This would suggest that, where all three preconditions are present, organisational virtue is unlikely to be precarious. Even a considerable change in one of the factors – for example, the employment of a Chief Executive who, once in post, sought to drive the organisation towards a much more commercial orientation, with a much stronger focus on the achievement of external goods – would seem unlikely to have much impact. More likely would be the expulsion of such a person as the other factors came into play to preserve the organisation's virtue. Equally, the Traidcraft plc case study demonstrates the sense in embedding organisational virtue in such things as governance structures, rather than relying solely upon individual agents to preserve it. As such it indicates one mechanism for such a process of embedding – a mechanism that Keeley (2000) has already suggested.

We indicated at the outset that we would be unable to address in any depth two other points that arise from MacIntyre's work. In relation to other forms of bureaucratic organisation, all we can tentatively suggest here is that the virtues-practice-institution schema is generic such that its application to other forms of organisation, and the preconditions for institutional virtue that we have identified, would be equally applicable in, for example, government and non-profit organisations. Similarly, we would expect that MacIntyre's critique of managers, and the answer that we propose in terms of the key role of management as the practice of making and sustaining the institution, would be generically applicable. The extent to which different forms of capitalism are more or less conducive to organisational virtue is, again, something that we have not been able to address directly. Forms of capitalist societies that are less directed towards the achievement of external goods, and accompanying modes of institutionalisation, would, on our analysis, be more conducive of institutional virtue,

but we have been unable here to present even circumstantial evidence in support of this claim.

If, however, MacIntyre's conceptual framework, and its development and application to organisational life in general and business organisations in particular, has something to offer, (as we believe it does), then, as we have both outlined and begun to explore above, the questions that remain are largely empirical. We invite others, then, to join us in that empirical quest.

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